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December 12, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: Boston Edison Company d/b/a NSTAR Electric, Financing Request

Dear Ms. Cottrell:

Enclosed please find an original and nine copies of the application of Boston Edison Company d/b/a NSTAR Electric (the "Company") for authorization and approval of the issuance of long-term debt securities in an amount not to exceed \$500 million.

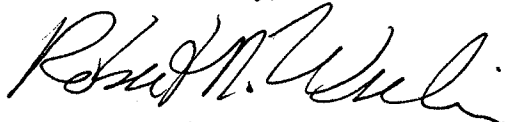
Also enclosed herewith is the direct testimony of Philip J. Lembo, Assistant Treasurer and Emilie G. O'Neil, Director of Corporate Finance and Cash Management, and exhibits thereto, as well as a check in the amount of \$75,600.00 for the filing fee.

Please direct any correspondence on this matter to me and to:

Richard J. Morrison, Esq.
NSTAR Electric & Gas Corporation
800 Boylston Street
Boston, Massachusetts 02199-8003
617-424-2111 (telephone)
617-424-2421 (facsimile)

Thank you for your attention to this matter.

Sincerely,



Robert N. Werlin

Enclosures

cc: Joseph Rogers, Office of the Attorney General
David Fine, Esq.

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

* Application of Boston Edison Company *
* for approval of the issuance from time to time *
* on or before December 31, 2005 of long-term *
* debt securities in an amount not to exceed *
* \$500,000,000. *

APPLICATION OF BOSTON EDISON COMPANY
FOR APPROVAL OF ISSUANCES OF INDEBTEDNESS

Boston Edison Company, hereinafter called the "Company", hereby applies to the Department of Telecommunications and Energy (the "Department") for approval to issue long-term debt securities in an aggregate amount not to exceed \$500,000,000, pursuant to G.L. c. 164 § 14.

In support of the Company's request, the Company states as follows:

1. The Company is a Massachusetts electric company, operating pursuant to G.L. c. 164, § 1, and is subject to the provisions of G.L. c. 164 as amended.
2. The Company has a principal place of business at 800 Boylston Street, Boston, Massachusetts and subject to Chapter 164 of the General Laws of Massachusetts.
3. As of September 30, 2003, the long-term Debentures issued and outstanding under the Indenture dated as of September 1, 1988 (the "1988 Indenture") with Bank of New York (formerly Bank of Montreal Trust Company), as Trustee, consisted of the following:

<u>SERIES/MATURITY DATE</u>	<u>PRINCIPAL AMOUNT</u>
Floating Rate, October 15, 2005	\$100,000,000
7.80% May 15, 2010	125,000,000
4.875% October 15, 2012	400,000,000
7.80% March 15, 2023	<u>181,000,000</u>
Total	\$806,000,000

4. As of September 30, 2003, the Company had outstanding \$15,000,000 aggregate principal amount of 5.75% Massachusetts Industrial Finance Agency Pollution Control Revenue Refunding Bonds, 1994 Series A (Boston Edison Company Project).
5. The Company maintains committed credit arrangements with various banks that provide for short-term borrowings by the Company at or below the prime interest rate, in an aggregate amount of \$350,000,000. As of September 30, 2003, the Company had no short-term borrowings outstanding pursuant to such credit arrangements, but had \$118,000,000 of commercial paper outstanding.
6. As of September 30, 2003, the Company had authorized 2,890,000 shares of Cumulative Preferred Stock, \$100 par value, of which the following series were outstanding: \$18,000,000 of Cumulative Preferred Stock, 4.25% Series, 180,000 shares; \$25,000,000 of Cumulative Preferred Stock, 4.78% Series, 250,000 shares.
7. As of September 30, 2003, the Company had authorized 8,000,000 shares of Preference Stock par value \$1 per share, of which no shares were outstanding.
8. As of September 30, 2003, the Company had authorized Common Stock of 100 shares, with a par value of \$1 per share, 75 of which were issued and outstanding and owned by BEC Energy, which is wholly-owned by NSTAR. The premium on such outstanding shares amounted to \$278,795,159.
9. It is necessary, expedient and in the public interest for the Company to issue and sell from time to time, on or before December 31, 2005, one or

more issues of long-term debt securities, in an aggregate amount (based on face amount) not to exceed \$500,000,000 and to use the proceeds of such issuances for the payment at maturity of certain outstanding long-term debt securities; for the refinancing of long-term debt and/or equity securities; for the payment of capital expenditures incurred by the Company for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations of the Company incurred for such purposes; for the repayment of short-term debt balances; in the case of tax-exempt loans, debt service reserve funds and similarly required funds; and/or for general working capital purposes.

10. The Company proposes to issue and sell from time to time, on or before December 31, 2005, long-term debt instruments with maturity dates not to exceed forty years from the date of issuance with either an adjustable interest rate or a fixed interest rate not to exceed a rate established by the Department. Such long-term debt securities will be (i) unsecured notes or debentures ("Debentures") to be issued pursuant to the 1988 Indenture, or (ii) other evidences of indebtedness consisting of loans from a bank or syndicate of banks and/or other institutional investors such as one or more insurance companies ("Term Loans") or from a municipal agency issuing tax-exempt bonds on behalf of the Company ("Tax-Exempt Loans"), such Term Loans and Tax-Exempt Loans to be either unsecured or secured by individual parcels of real property or other specified assets or, in the case of Tax-Exempt Loans, municipal bond insurance.
11. It is in the public interest that the Company have the flexibility to issue and sell from time to time one or more series of long-term debt securities to enable it to take advantage of favorable market conditions which in management's judgment could result in significant savings to the Company and its customers.
12. Because of volatility in the debt markets, it is in the public interest that the purchasers of the long-term debt securities be selected not by competitive bidding, but rather by the Company on the basis of standards and criteria

which in management's judgment will result in significant benefits to the Company and its customers, including but not limited to the terms and interest rate.

13. The Board of Directors at a meeting duly called and held on December 11, 2003 authorized this application.
14. It is in the public interest that the Company has the flexibility to adjust the face value of debt instruments to reflect the final pricing of the security, including a discount to the face value of a particular security.

WHEREFORE, the Company requests that pursuant to the applicable provisions of Chapter 164 of the General Laws, the Department:

- A. Vote that the issuance by the Company from time to time of long-term debt securities in an amount not to exceed \$500,000,000 is reasonably necessary for the purposes stated;
- B. Approve and authorize the issuance and sale from time to time, on or before December 31, 2005, of long-term debt securities consisting of one or more series of Debentures, Term Loans or Tax-Exempt Loans, upon such terms, at such rates of interest, with such maturities and at such prices, as the Company may determine and if the price of any long-term debt securities is below the face amount of such long-term debt securities, find that the issuance and sale is in the public interest and if a security is sold at less than par value, to amortize the discount over the life of the security;
- C. Grant an exemption from the requirements of Section 15A of Chapter 164 in connection with the sale of any long-term debt securities;
- D. Approve and authorize the use of the proceeds of the issue and sale of such securities for the payment at maturity of certain outstanding long-term debt securities; for the refinancing of long-term debt and/or equity securities; for the payment of capital expenditures incurred by the Company for extensions, additions and improvements to the Company's

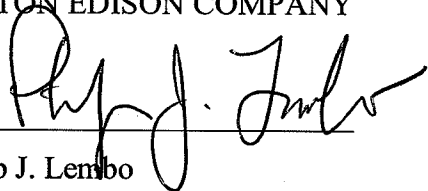
plant and properties or for the payment of obligations of the Company incurred for such purposes; for the repayment of short-term debt balances; in the case of tax-exempt loans, debt service reserve funds and similarly required funds; and/or for general working capital purposes;

- E. Find that the granting of an exemption from the competitive bidding requirements of Section 15 of Chapter 164 in connection with the sale of any long-term debt securities is in the public interest;
- F. Grant an exemption from said requirements of said Section 15 of Chapter 164; and
- G. Issue such other and further orders as may be necessary to permit the Company to effect the transactions contemplated by this Application.

Respectfully submitted,

BOSTON EDISON COMPANY

By


Philip J. Lembo
Assistant Treasurer
Boston Edison Company
One NSTAR Way
Westwood, MA 02090

DATED: December 12, 2003

Filename: s:\shared\corpfin\files\dte financing plan\Beco 2003\beco dte applic.doc

BOSTON EDISON COMPANY

Testimony of Philip J. Lembo and Emilie G. O'Neil

D.T.E. 03-__

1 **Q. Please state your name and business address.**

2 A. Our names are Philip J. Lembo and Emilie G. O'Neil. Our business address is
3 One NSTAR Way, Westwood, Massachusetts.

4 **Q. By whom are you employed and in what capacity?**

5 A. [Witness Lembo] I am Assistant Treasurer for Boston Edison Company ("Boston
6 Edison" or the "Company").

7 A. [Witness O'Neil] I am the Director of Corporate Finance and Cash Management
8 for Boston Edison Company.

9 **Q. Please describe your education and professional background.**

10 A. [Witness Lembo] My education and professional background are described in
11 Exhibit BE-2A.

12 A. [Witness O'Neil] My education and professional background are described in
13 Exhibit BE-2B.

14 **Q. Please describe your duties and responsibilities for the Company.**

15 A. [Witness Lembo] I have overall responsibility for Investor Relations and
16 Shareholder Services, Corporate Finance and Cash Management. I have testified
17 in two previous finance-related applications for Boston Edison Company's 2001-
18 2002 Finance Plan, D.T.E. 00-62 and Commonwealth Electric Company's
19 Approval of Issuance of Indebtedness, D.T.E. 02-51.

1 A. [Witness O'Neil] My primary responsibilities include cash management,
2 development and implementation of long-term financing plans and lease
3 financings. I have testified in six previous financing related applications. Five
4 were for Boston Edison (D.P.U. 92-244, D.P.U. 92-253, D.P.U. 94-160,
5 D.T.E. 98-118 and D.T.E. 00-62). D.T.E. 00-62 was the Company's 2001-2002
6 Finance Plan. I also testified in Commonwealth Electric Company's Approval of
7 Issuance of Indebtedness, D.T.E. 02-51.

8 **Q. Please describe the Company's application that is the subject of this hearing.**

9 A. The Company requests approval by the Department of the issuance and sale from
10 time to time, on or before December 31, 2005, of up to \$500,000,000 aggregate
11 amount (based upon face amount) of long-term debt securities. The net proceeds
12 of such issuances and sales will be applied: (a) to the payment at maturity of
13 certain outstanding long-term debt securities; (b) for the refinancing of long-term
14 debt and/or equity securities; (c) for the payment of capital expenditures incurred
15 by the Company for extensions, additions and improvements to the Company's
16 plant and properties, or for the payment of obligations of the Company incurred
17 for such purposes; (d) for the repayment of short-term debt balances; (e) in the
18 case of tax-exempt loans, debt service reserve funds and similarly required funds;
19 and/or (f) for general working capital purposes.

20 **Q. Are you familiar with Exhibit BE-3, the Balance Sheet dated September 30,**
21 **2003?**

22 A. Yes, we are.

1 **Q. What does this exhibit show with respect to the capital structure of the**
2 **Company?**

3 A. Exhibit BE-3 shows that at September 30, 2003, Boston Edison had issued and
4 outstanding: (a) \$18,000,000 Cumulative Preferred Stock, 4.25% Series;
5 (b) \$25,000,000 Cumulative Preferred Stock, 4.78% Series; (c) \$75 Common
6 Stock (par value); and (d) \$278,795,159 Premium on Common Stock. In
7 addition, at September 30, 2003 the Company had outstanding the following
8 long-term unsecured debentures under its Indenture dated as of September 1,
9 1988 with the Bank of New York (formerly Bank of Montreal Trust Company),
10 as trustee (hereinafter referred to as the 1988 Indenture):

11	<u>Series</u>	<u>Maturity Date</u>	<u>Principal Amount</u>
12			
13	Floating ¹	October 15, 2005	\$100,000,000
14	7.80%	May 15, 2010	125,000,000
15	4.875%	October 15, 2012	400,000,000
16	7.80%	March 15, 2023	<u>181,000,000</u>
17	Total		\$806,000,000

18 As of September 30, 2003, the Company also had outstanding \$15,000,000
19 aggregate principal amount of 5.75% Massachusetts Industrial Finance Agency
20 Pollution Control Revenue Refunding Bonds, 1994 Series A (Boston Edison
21 Company Project).

22 As of September 30, 2003, the Company had authorized 8,000,000 shares of
23 Preference Stock par value of \$1.00 per share of which no shares are outstanding.

¹ The interest rate for the period October 15, 2003 to January 15, 2004 is 1.65 percent.

1 The Company maintains credit arrangements with various banks totaling
2 \$350,000,000, which provide for short-term borrowings by the Company. As of
3 September 30, 2003, the Company had no short-term borrowings outstanding
4 pursuant to such credit arrangements. These credit arrangements provide
5 liquidity support for the Company's commercial paper program. As of
6 September 30, 2003, the Company had \$118,000,000 of commercial paper
7 outstanding.

8 **Q. What ratings have been assigned to the Company's outstanding securities by**
9 **the major rating agencies?**

10 A. The outstanding debentures are rated A1 by Moody's, A by Standard and Poor's
11 and AA- by Fitch. The Company's outstanding Preferred Stock is rated a2 by
12 Moody's, BBB+ by Standard and Poor's and A+ by Fitch.

13 **Q. Are you also familiar with Exhibit BE-4?**

14 A. Yes, we are.

15 **Q. What does Exhibit BE-4 show?**

16 A. Boston Edison has traditionally filed this exhibit with the Department in any
17 application for approval of the issuance and sale of securities. It represents a way
18 of determining the excess of the Company's plant balances over the amount of
19 securities outstanding. Exhibit BE-4 shows the capitalizable plant balance less
20 reserves for depreciation and amortization against which securities have not been
21 authorized by the Department as of September 30, 2003.

1 This exhibit shows that the Company has a sufficient balance of total
2 capitalizable plant less reserves for depreciation against which up to
3 \$865,373,368 aggregate amount of debt securities may be authorized in this
4 proceeding.

5 **Q. How is the \$2,008,168,602, the net capitalizable plant number as of**
6 **September 30, 2003, being calculated?**

7 A. This number is the \$2,876,142,223, capitalizable utility plant from Exhibit BE-3,
8 minus \$867,973,621, accumulated provision for amortization and depreciation of
9 utility plant from Exhibit BE-3.

10 **Q. Were the figures used in this exhibit taken from the Balance Sheet, Exhibit**
11 **BE-3?**

12 A. Yes, they were.

13 **Q. Would you please elaborate on the Company's proposed financing request?**

14 A. The proposed financing request will enable the Company to sell from time to
15 time, on or before December 31, 2005, one or more issues of long-term debt
16 instruments consisting of: (i) unsecured notes or debentures ("Debentures") to be
17 issued pursuant to the Company's 1988 Indenture; or (ii) other evidences of
18 indebtedness consisting of loans from a bank or syndicate of banks and/or other
19 institutional or governmental lenders such as one or more insurance companies or
20 certain governmental agencies ("Term Loans") or from a municipal agency
21 issuing tax-exempt bonds on behalf of the Company ("Tax-Exempt Loans"), such
22 Term Loans and Tax-Exempt Loans to be either unsecured or secured by

1 individual parcels of real property or other specified assets or, in the case of Tax-
2 Exempt Loans, municipal bond insurance.

3 **Q. Is the Company's application similar to prior applications for authorization**
4 **to issue securities?**

5 A. The Company's application is similar to other two-year financing applications
6 filed by the Company since 1987 (D.P.U. 87-245-A, D.P.U. 89-44, D.P.U. 91-47,
7 D.P.U. 92-253, D.P.U. 94-160 and D.T.E. 00-62). In each of those applications
8 the Company requested and received authority to issue from time to time,
9 pursuant to a finance plan, between \$200,000,000 and \$1,100,000,000 aggregate
10 amount of debt and equity securities.

11 **Q. The Company's financing request contemplates the borrowing of up to**
12 **\$500,000,000 of debt securities from time to time in order to satisfy the**
13 **Company's projected financing needs. Could you please describe on what**
14 **basis this amount was arrived at?**

15 A. During the 2004-2005 period, \$100,000,000 principal amount of the Company's
16 Notes will become due. A detailed capital budget for 2004 through 2005 is not
17 yet available, however, the Company has been able to forecast expected capital
18 expenditure levels. Total capital expenditures are expected to be approximately
19 \$440,000,000 for the two-year period, primarily reflecting expenditures for major
20 transmission and distribution projects.

21 The Company may also consider refinancing some of its short and long-term debt
22 securities with long-term debt if market conditions warrant. Short-term debt is
23 incurred by the Company for capital expenditures in advance of refunding such

1 debt with long-term debt, for working capital needs and for other corporate
2 purposes. A portion of the financing needs is expected to be funded from cash
3 from operations, which is forecasted to be approximately \$560,000,000 over the
4 two year period, leaving the balance to be funded through external financings.

5 **Q. What is the maximum interest rate that the Company proposes at this time?**

6 A. The Company is proposing that the interest rate on such debt securities may be a
7 fixed rate or an adjustable rate, which will vary with a market index designated at
8 the time of such debt securities, not to exceed an effective rate of 10 percent per
9 annum.

10 **Q. Why has the Company asked the Department to authorize the issuance of**
11 **long-term debt securities up to a dollar limit?**

12 A. The Company began to re-evaluate the process by which it sought approval from
13 the Department for permanent financings as a consequence of the first market
14 crash of October 1987. During that time, while the stock market experienced
15 record declines the bond market realized significant gains as yields fell by more
16 than 100 basis points. The financial markets are still volatile and are increasingly
17 more complex. The flexibility provided by this financing request allows for the
18 issuance of securities when the Company needs the money while allowing the
19 Company to take advantage of the markets.

20 Although the Company reasonably projects its financing needs to be
21 approximately \$500,000,000, the timing of those needs is uncertain. In addition,
22 the optimal time to incur such indebtedness will depend heavily upon fluctuating

1 interest rates. The cost of capital associated with a particular security has
2 fluctuated significantly over short periods of time, as have the relative costs of
3 different securities. This volatility in the long-term debt market is presented in
4 Exhibit BE-5A. In the last five years, the 30-year US Treasury bond, which is
5 the underlying base security for utility long-term debt, fluctuated from a high of
6 approximately 6.49 percent to a low of approximately 4.36 percent.

7 Without the requested authority, the Department would have to consider each
8 individual issuance of securities. We believe that the Company's financing
9 request provides significant economies to both the Company and the Department,
10 while at the same time providing the Department full opportunity to exercise its
11 regulatory responsibilities.

12 **Q. Could you please describe the approximate current market for long-term**
13 **debt securities, for the Company or similarly rated companies?**

14 A. The current interest rate for 30-year "A" rated utility bonds is around
15 6.25 percent. The yield history from October 1998 through September 2003 for
16 long-term debt issues for electric utilities with similar ratings is provided in
17 Exhibit BE-5B. Over the last five years yields on long-term debt have fluctuated
18 from 5.11 percent to 8.51 percent.

19 **Q. Would you please describe in more detail the types of long-term debt**
20 **securities the Company may enter into pursuant to this financing request?**

21 A. The Company proposes to issue long-term debt instruments with a maturity
22 greater than one year and not to exceed 40 years from the date of issuance. The

1 securities would carry either a fixed interest rate not to exceed the rate established
2 by the Department or an adjustable rate, which will vary with a market index to
3 be designated at the time of issuance or in accordance with a market auction
4 mechanism but not to exceed a maximum rate. Maximum rates were similarly
5 authorized in D.P.U. 89-44, D.P.U. 91-47, D.P.U. 92-253, D.P.U. 94-160 and
6 D.T.E. 00-62. Such long-term debt instruments will be (i) unsecured
7 Debentures, (ii) Term Loans or (iii) Tax-Exempt Loans.

8 **Q. If and when the Company determines to issue and sell, how would it plan to**
9 **market the securities?**

10 A. Depending on the type of security and market conditions at the time, the
11 securities would be sold from time to time in light of the Company's refinancing
12 or cash requirements. The securities would be sold in one or more public
13 offerings through one or more underwriters or agents, in private offerings or in
14 connection with the establishment of loan facilities with one or more of the
15 institutional or governmental lenders previously described.

16 **Q. Please describe the procedure for selling the securities in a public offering.**

17 A. To issue and sell the securities in public offerings, the Company will be required
18 to file a registration statement with the Securities and Exchange Commission (the
19 "SEC"). After a registration statement is declared effective by the SEC, and, at
20 such time or times as the Company determines to sell the securities, the Directors
21 of the Company and/or authorized officers would meet to fix the final terms of
22 sale as authorized by the Department. The commission to be paid to the

1 underwriters or agents in a public offering would not be expected to exceed
2 1 percent of the gross proceeds to the Company from the offering of any debt
3 securities.

4 **Q. Would you describe how the securities would be sold pursuant to a public**
5 **offering in a negotiated transaction?**

6 A. In a negotiated transaction, the registration statement is typically prepared by the
7 Company with input from the designated underwriter(s) or agent(s) and its
8 regular counsel. Prior to the filing of the registration statement with the SEC, the
9 underwriter(s) would hold several meetings to review market conditions with the
10 Company and help structure the transaction (e.g., market timing, size of issue,
11 maturity dates, redemption provisions) to obtain the best rates and prices in light
12 of market demands. After the registration statement is filed with the SEC, the
13 underwriter(s) or agent(s) would commence pre-marketing of the securities using
14 the preliminary prospectus. During this period, depending on the nature of
15 securities being offered, and the distribution of such securities, any underwriter(s)
16 could also begin forming a selling group or syndicate. During the pre-marketing
17 period the underwriter(s) or agent(s) determines and reports on the level of
18 interest of the investing public and advises the Company whether it could be
19 beneficial to alter the terms of the securities in any way or to change the type of
20 security to be offered as was the case when the Company issued 30-year
21 Debentures instead of 5-year Medium-Term Notes in the spring of 1990. Pre-
22 marketing is critical when the markets are volatile, the market for the security is

1 limited or there are other financial complexities that require explanation for the
2 investor to fully understand the Company. All information collected by the
3 underwriter during the pre-marketing period is relayed back to the Company as
4 well as information and suggestions from the underwriter's economists, credit
5 analysts and traders. The information collected during the pre-marketing period
6 allows the Company to identify and take quick advantage of market windows in
7 many instances within a four to six-hour period. Pre-marketing may also increase
8 interest and demand for the new issue allowing for more aggressive pricing thus
9 reducing the cost to our customers.

10 At such time as the Company (with advice from the underwriters as to market
11 conditions) determines to sell the securities, officers of the Company would enter
12 into negotiations with the underwriter(s) with respect to the final terms of the
13 offered security. After an agreement has been reached as to the terms of sale, the
14 Company and the underwriters would enter into a firm purchase agreement and a
15 final amendment to the registration statement or a prospectus supplement would
16 be filed with the SEC.

17 **Q. What alternative is there to a negotiated public offering?**

18 A. The Company could utilize a competitive bidding process to offer the new
19 securities to the public.

20 In a competitively bid transaction, the registration statement is prepared by the
21 Company without the assistance of a designated underwriter and that

1 underwriter's regular counsel. The registration statement is reviewed by counsel
2 for the Company and counsel designated by the Company to represent the
3 prospective underwriter. After the registration statement is filed with the SEC,
4 the Company would publish a notice of invitation for proposals in two or more
5 local daily newspapers, as required by G.L. c. 164, § 15, and in a national
6 newspaper, such as the Wall Street Journal. If the issuance of securities is not
7 subject to the competitive bid requirements of G.L. c. 164, § 15 (which is the case
8 with preferred stock, preference stock and common stock) or an exemption had
9 been obtained, the Company would send the invitation to a number of prospective
10 underwriters familiar with the Company rather than publishing a notice as
11 publishing a notice is expensive and often less effective.

12 The notice of invitation for proposals would include a specific description of the
13 securities to be issued (amount, redemption provisions, sinking funds,
14 minimum/maximum prices, etc.) so that each bid is expressed on the same basis
15 for comparison purposes. The invitation would also state that the Company will
16 give at least 48 hours notice of the date and time bids should be submitted (or 24
17 hours notice, if preliminary information has reached the prospective underwriters
18 in a timely fashion; however, this shorter time period may also limit the number
19 of underwriters willing to commit to a bid). Interested underwriters would be
20 invited to contact the Company to obtain copies of the offering materials
21 including a copy of the registration statement and the form of underwriting
22 agreement together with a form for submitting proposals to the Company. The

1 Company would prepare the underwriting agreement, like the registration
2 statement, with input from counsel for the Company and designated counsel for
3 the underwriters.

4 After the registration statement is declared effective for bidding by the SEC, and
5 at such time as the Company determines to issue the new securities, the Company
6 would give notice by mail, phone or both to each underwriter who expressed an
7 interest of the date and time to submit bids. At the time and place designated,
8 each interested underwriter would submit by phone or hand delivery a sealed bid
9 which would include, among other terms, designation of the proposed dividend
10 rate (in the case of preferred or preference stock) or interest rate (in the case of
11 debt securities), the price to be paid to the Company, and the underwriting
12 commission for the proposed issue. At the time designated, all bids would be
13 opened and examined to determine which bid provided the lowest effective cost
14 of capital to the Company. At such time the Directors would meet to approve the
15 winning bid, thereby setting the terms of the new securities. All other bids would
16 be formally rejected at that time. In the event that the Company was not satisfied
17 with any of the bids, the Company could reject all bids. Once the issue is priced
18 and the purchase agreement signed, the procedures for competitively bid
19 transactions and negotiated transactions through closing of the offering are
20 identical.

1 **Q. What are the drawbacks of the competitive bid process?**

2 A. The principal differences between a negotiated transaction and a competitive bid
3 transaction are evident at two stages – during preparation of the registration
4 statement (and related documents) and at selection and pricing of the issue. In
5 each stage of the competitive bid process the Company is without the benefit of
6 the underwriter's knowledge and expertise both from a marketing perspective
7 (preparation of the prospectus and pre-marketing) and from a pricing perspective
8 (selecting a market "window").

9 In addition, as we have indicated earlier in our testimony, the Company believes
10 that the flexibility of being able to select a form of security most appropriate to a
11 particular market condition and then time the issuance of such security to the
12 market "window" are two principal factors which generate capital cost savings.
13 To permit the Company to utilize fully those two factors requires that the
14 Company work very closely with the underwriters as market conditions change
15 both in terms of selecting the most appropriate security as well as monitoring
16 daily changes in interest rates and other market events, which affect rates. The
17 competitive bid process inhibits the Company's ability to vary the form and
18 timing of issuances that are advantageous in today's complex and volatile market.
19 As the Department recognized in D.P.U. 92-253-A, "in such fluctuating securities
20 markets, negotiated transactions reasonably may benefit ratepayers and are more
21 appropriate than competitive bid placements" (page 20).

1 **Q. You mentioned that the securities might be sold in a private offering rather**
2 **than a public offering. Could you please describe a private offering?**

3 A. In a private offering the securities would be offered only to a small number of
4 qualified investors pursuant to an exemption from the registration provisions of
5 the Securities Act of 1933. The Company would not be required to file a
6 registration statement with the SEC. The securities would be offered either
7 directly to the investors or through a placement agent for a fee, which is not
8 expected to exceed 1-2 percent. In the case of a Term Loan, the Company would
9 negotiate directly with commercial banks to structure the terms and conditions of
10 the credit agreement.

11 **Q. How would the Company expect to issue debt securities in the form of Term**
12 **Loans?**

13 A. The Company would expect to enter into negotiations with several institutional
14 lenders or governmental agencies that may be willing to make long-term loans to
15 the Company. Once the Company had agreed with one or more of such lenders
16 on the terms and conditions of such a loan or loans, the Company and the lenders,
17 would enter into a credit agreement which would set forth the specific terms and
18 conditions relating to the Term Loans. The Company would then borrow funds
19 under the Term Loan agreement or convert its outstanding short-term loans into
20 long-term loans under that agreement.

21 The competitive bid requirements of Section 15 of Chapter 164 would not apply
22 to the Term Loans since that section is applicable only to bonds, debentures,

1 notes and other evidences of indebtedness payable at periods more than five years
2 after the date thereof.

3 **Q. Please describe Exhibit BE-6.**

4 A. Exhibit BE-6 for identification sets forth the vote taken by the Board of Directors
5 of the Company at its meeting held on December 11, 2003 relating to this
6 application. Richard Morrison, the Assistant Clerk of the Company, has certified
7 this vote.

8 **Q. Is the vote appearing in Exhibit BE-6 for identification an accurate copy of**
9 **the original vote that appears in the minute books of the Company?**

10 A. Yes, it is.

11 **Q. What does the Company wish the Department to do at this time?**

12 A. We would ask the Department to issue an order at this time authorizing the
13 issuance and sale by the Company from time to time on or before December 31,
14 2005 of long-term debt securities in an aggregate amount not to exceed
15 \$500,000,000 consisting of one or more series of Debentures, Term Loans, or
16 Tax-Exempt Loans with such maturities not to exceed 40 years and at a fixed rate
17 or adjustable rate of interest not to exceed an effective rate of 10 percent per
18 annum, and if the price of any long-term debt securities is below the face amount
19 of such long-term debt securities, find that the issuance and sale is in the public
20 interest and fix the amortization of the discount, as the Department may deem
21 necessary in the public interest.

1 We would ask that the Department's order grant an exemption from the
2 requirements of Section 15A of Chapter 164 and from all of the competitive
3 bidding and other requirements in Section 15 of Chapter 164 in connection with
4 the sale of any long-term debt securities.

5 Finally, we would ask that the Department's order authorize that the net proceeds
6 from the issue and sale of such securities be used: (a) to the payment at maturity
7 of certain outstanding long-term debt securities; (b) for the refinancing of long-
8 term debt and/or equity securities; (c) for the payment of capital expenditures
9 incurred by the Company for extensions, additions and improvements to the
10 Company's plant and properties, or for the payment of obligations of the
11 Company incurred for such purposes; (d) for the repayment of short-term debt
12 balances; (e) in the case of tax-exempt loans, debt service reserve funds and
13 similarly required funds; and/or (f) for general working capital purposes.

14 **Q. Mr. Lembo and Ms. O'Neil, in view of your detailed knowledge of the**
15 **Company and its finances, is it your opinion that the proposed Term Loans**
16 **not in excess of \$500,000,000 aggregate amount is reasonably necessary for**
17 **the purposes which you have stated and is in the public interest?**

18 **A. Yes, it is.**

19 **Q. Does this conclude your testimony?**

20 **A. Yes it does.**

PHILIP J. LEMBO

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Melrose, Ma 02176

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Fax: 781-441-8195

Email: Philip_Lembo@nstaronline.com

SUMMARY

Experienced business executive with a proven ability to initiate change and affect results within multi-billion dollar companies. Broad managerial and technical expertise in investor relations, internal auditing, corporate finance and employee training and development.

- Widely recognized for innovation, initiative and leadership in business, professional and community groups.
- Strong commitment to anticipating and working collaboratively to meet the needs of internal and external customers.
- Viewed as a problem solver with an ability to positively influence outcomes and effectively communicate with all levels of the organization, including the board of directors.
- More than 25 years' experience in all managerial and technical aspects of internal auditing within the electric utility and financial services industries.

PROFESSIONAL EXPERIENCE

NSTAR, Boston, MA (1999 – Present)

Assistant Treasurer, Corporate Finance & Investor Relations (3/1/2000 – Present) - Responsible for NSTAR's long and short-term financing programs including analysis of capital markets, financing alternatives, structuring issues, credit needs and lease finance programs. Responsible for planning, developing, implementing and managing an effective financial communications and relationships program between the Company and the investing public. Also responsible for managing the shareholder services function for more than 30,000 registered shareholders of the Company.

BOSTON EDISON COMPANY, Boston, MA (1983 - 1999)

Director, Investor Relations – (1994 - 1999) - Provide the single point of contact with all members of the investment community, and manage all shareholder relations for approximately 100,000 individual and institutional shareholders. Specific accomplishments include the demonstrated ability to:

- Communicate effectively with securities analysts and investment fund managers to ensure appropriate valuation of company.
- Plan, organize and develop the content and format of the company's presentations to more than 200 investment professionals across the country.
- Manage the quality and costs associated with services provided under a \$1.6 million transfer agent contract.
- Design and produce the company's Annual Report To Shareholders.

Audit Director (1989 - 1994)

Reporting directly to the Chairman and Chief Executive Officer, hired, trained and directed a team of 10 professionals in all aspects of internal auditing. Specific accomplishments included:

- Guided the re-focus of the company's Audit Department into proactive, business-focused, solutions-oriented group. Continuously questioned the status quo, resulting in changes that improved business processes, reduced costs and improved service to customers.
- Conceived, designed and implemented value-added processes to improve the quality of audit services, such as: risk/value model, employee work teams, auditor rotation program, customer and executive feedback mechanisms and audit report follow-up system.
- Provided written and oral presentations of audit results to the Audit, Finance and Risk Management Committee of the Board of Directors and Senior Management.

Principal Budget Analyst (1988 - 1989) - Selected by Controller to assist in effective implementation of "budget representative" model for improved quality and service. Monitored, analyzed and assisted internal groups controlling a combined \$500 million capital and expense budget. Supervised an Assistant Budget Analyst and conducted special projects at request of Controller.

Internal Audit Manager (1983 - 1988) - Managed team of five internal auditors. Duties included planning audit assignments, selecting and developing staff, directing and controlling audit projects, and reporting audit results.

PRUDENTIAL INSURANCE COMPANY OF AMERICA, Boston, MA (1977 - 1983)

Associate Audit Manager - Managed a staff of five professional in all aspects of internal audit.

Associate Manager of Group Insurance Claim Quality Assurance - Selected by Senior Vice President to re-focus established quality control program. Through the use of employee teams, developed expanded, proactive quality assurance program.

Associate Manager Training - Selected by Vice President to develop a training program for new internal auditors. Successfully developed two-week program that was used to train all new internal auditors.

PROFESSIONAL AND COMMUNITY CONTRIBUTIONS

Internal Audit Speaker - Auditing Power Plant Operations, Improving Audit Efficiency, Managing The Audit Process, Developing A Risk Assessment Model, Information Systems Audit & Control, Total Quality Management in the Small Audit Organization, Effective Strategies For Reporting Audit Results, and Developing Auditor Competency Models.

Instructor, Internal Auditing - Developed and instructed a semester long undergraduate/graduate course in Internal Auditing at The University of Massachusetts - Boston and Bentley College, Waltham, MA (1989 - 1996)

Greater Boston Chapter, The Institute of Internal Auditors, Inc. (1983 - 1994) - Held positions as President, Vice President, Treasurer, Secretary, Chairman of Education, Chairman of College Relations, and Chairman of Seminars for this 500+ member Chapter. As president(1990- 1991), Chapter awarded its only *Gold Medal Award* for outstanding service to members and the profession.

Melrose LAUNCH, Inc. (1990 -1996) - Member of the Board of Directors. Served as Vice President, Treasurer, and Chairman of Fund-raising. Collaborated with business leaders, school administrators and faculty to help improve educational services offered in the community.

Roosevelt Elementary School Council (1993 - 1997) - Elected by parents to a four-year term. Collaborated with parents, teachers, business advisors and school administrators to develop school improvement plans.

Melrose American Little League & Babe Ruth Baseball League- Coach & Board member (1990 – 1999).

EDUCATION/CERTIFICATION

Certifications - Certified Internal Auditor and Certified Information Systems Auditor

Boston University, Boston, MA - Master of Business Administration (with honors) - 1983

Salem State College, Salem, MA - Bachelor of Science, Business Administration (Magna Cum Laude) – 1977

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Professional Experience:

1999 to Present	NSTAR Director, Corporate Finance & Cash Management	Boston, MA
1987 to 1999	Boston Edison Company Manager, Corporate Finance Vice President & Treasurer of BEC Funding, LLC. Treasurer of the Boston Edison Foundation Senior Financial Analyst (1990-1991) Financial Analyst (1989-1990) Associate Financial Analyst (1987-1989)	Boston, MA

Primary Responsibilities:

1. Implement long-term financing plans for the Holding Company as well as for its subsidiaries.

Testified in the Company's DTE financing proceedings. The two largest included a \$ 1.1 billion authorization as well as a \$725 million stranded cost authorization.

Coordinate the issuance and redemption of company securities with Senior Management, the Board of Directors, the Trustees, Transfer Agent, SEC, Lawyers, Printers, Rating Agencies and the Investment Community.

Establish stock buy-back program and debt tender programs.

Maintain on-going relations with the Rating Agencies.
2. Analyze financing alternatives and capital markets. Perform capital structure analysis and recommend appropriate dividend and financing strategies.
3. Develop and implement Securitization Financing.
 - A) File financing plan with DTE.
 - B) Serve as expert witness.
 - C) Secure all regulatory approvals (SEC, IRS, and DTE).

- D) Coordinate structure and terms with investment bankers, Mass Agencies, lawyers, rating agencies, printers, DTE and SEC.
- E) Develop rating agency presentation.
- F) Performed an active role in road show.

1. Develop and manage access to short-term capital markets.

- A) Establish and maintain relations with commercial banks and commercial paper dealers.
- B) Establish, monitor and revise bank lines of credit.
- C) Evaluate short-term financing alternatives.
- D) Establish and maintain means to invest excess short-term cash.

5. Ensure effective utilization of corporate cash on daily basis.

- A) Monitor and analyze corporate cash balances.
- B) Initiate electronic transfer of Company funds.
- C) Manage short-term debt and investment portfolio.
- D) Coordinate the issuance of commercial paper and bank loans.
- E) Maintain appropriate records and reporting systems.

6. Ensure Company compliance with SEC, trustee and security holder's regulations and requirements.

- A) Ensure that the Company meets its financial and other obligations with respect to outstanding securities.
- B) Maintain liaison with bond trustee, interest and dividend disbursing agents, and stock transfer agent.
- C) Coordinate interest, dividends, principal and other payments as required.
- D) Prepare compliance reports pursuant to Company financing agreements.

6. Analyze and implement Lease Financing as a long-term financing alternative.

- A) Conduct lease vs. buy analyses.
- B) Determine most economic structure for both tax and accounting considerations.
- C) Send out and evaluate RFP's.
- D) Negotiate pricing and terms with lessors.
- E) Draft and review legal documentation.
- F) Effect the successful placement of desired leases.

- G) Coordinate communication between Company operating departments and lessors.
 - H) Assist operating departments in administration of lease program.
6. Perform the annual dividend study.
7. Administer the Company's Dividend Reinvestment Plan and Common Stock Purchase Plan.
8. As Treasurer of the Boston Edison Foundation, responsible for investment and disbursement of Foundation funds, as well as for financial statement preparation.
9. Perform financial consulting to various areas and miscellaneous financial analyses.
12. Corporate Cash Accounting Administration.
- A) Coordinate all corporate cash disbursements and receipts as well as posting these transactions to the Company's general ledger system.
 - B) Perform all bank reconciliations; research variances and resolve as necessary.
13. Petty Cash & Travel Reimbursement.
- A) Review for accuracy and appropriateness; issue checks.
 - B) Function as Travel Communication Center for employees.

1982-1984

Peat, Marwick, Mitchell & Co.

Boston, MA

Tax Consultant, Tax Department
Prepared Partnership, Trust, Corporate and
Individual tax returns. Performed tax research.

1982-1984

Marine Midland Bank

New York, NY

Designed econometric models in the
context of country risk analysis.

Education:

Cornell University, Ithaca, NY

M.B.A with a concentration in Accounting and Finance,
May 1986

Columbia University, New York, NY

A.B. in Economics and Mathematics, May 1982

Phi Beta Kappa

Magna Cum Laude

References: Furnished upon request.

Boston Edison Company (Unconsolidated)
Balance Sheet (Unaudited)
September 30, 2003

Assets		
Capitalizable utility plant		<u>\$ 2,876,142,223</u>
Other property and Investments:		
Investments in subsidiaries	\$ 8,009,680	
Other investments	<u>10,923,002</u>	18,932,683
Goodwill*		286,507,980
Current and accrued assets:		
Cash	\$ 11,329,875	
Accounts receivable	199,237,836	
Accounts receivable from affiliates	214,016,548	
Accrued unbilled revenues	35,029,000	
Materials & supplies	15,117,445	
Prepaid expenses and other	<u>9,150,969</u>	483,881,674
Regulatory assets		1,144,355,191
Other deferred debits		<u>10,519,835</u>
Total assets and other debits		<u><u>\$ 4,820,339,585</u></u>
Capitalization and Liabilities		
Capital stock:		
Common Stock	\$ 75	
Premium on common stock	278,795,159	
Goodwill Equity	<u>319,048,041</u>	\$ 597,843,275
Surplus:		
Earned surplus	505,159,914	
Surplus invested in plant	<u>405,485</u>	<u>505,565,399</u>
Total Common equity:		<u>1,103,408,674</u>
Preferred Equity		43,000,000
Long-term debt:		
Tax exempt debt		15,000,000
Debentures		806,000,000
Due to affiliates-Securitization		377,390,163
Current and accrued liabilities:		
Long-term debt due in one year	\$ -	
Notes payable	118,000,000	
Accounts payable-affiliates	108,217,604	
Accounts payable	141,437,864	
Accrued interest	16,047,044	
Dividend payable	326,666	
Other	<u>90,823,747</u>	474,852,925
Deferred credits:		
Accumulated deferred income taxes	\$ 610,977,313	
Accumulated deferred ITC	17,457,722	
Power contracts	288,320,972	
Other	<u>211,165,777</u>	<u>1,127,921,784</u>
Reserves:		
Accumulated provision for rate refunds	4,792,418	
Accumulated provision for amort. & deprec. of utility plant	<u>867,973,621</u>	<u>872,766,039</u>
Total capitalization, liabilities, and other credits		<u><u>\$ 4,820,339,585</u></u>

* Allocated Goodwill associated with the acquisition of Commonwealth Energy System reported only for DTE Regulatory purposes.

Boston Edison Company (Unconsolidated)

Capitalizable Plant, Less Reserves for Utility Depreciation and Amortization,
and Exclusive of Nonutility Property, for Which Securities Have Not Been
Authorized by The Department of Telecommunications and Energy
September 30, 2003

Net Capitalizable plant, June 30, 2000	\$ 1,711,179,782
Net additions from June 30, 2000 to September 30, 2003	<u>296,988,820</u>
Net Capitalizable plant, September 30, 2003	2,008,168,602

Securities authorized and outstanding at September 30, 2003:

Common Stock and Premium	278,795,234
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Preferred stock:

4.250% Series	18,000,000
4.780% Series	25,000,000

Long-Term Debentures:

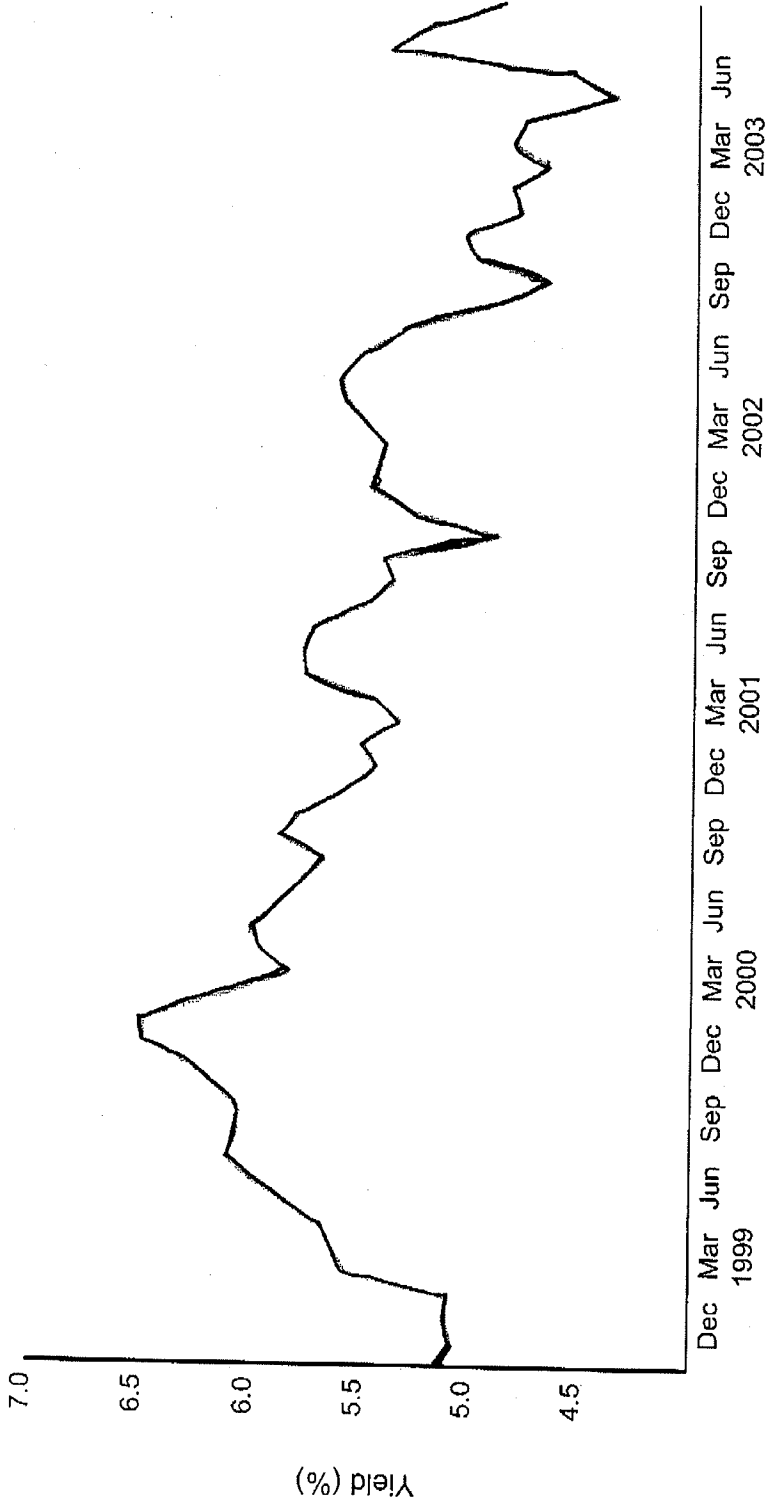
7.800% Due 2010	125,000,000
5.750% Due 2014	15,000,000
7.800% Due 2023	181,000,000
Floating rate Due 2005	100,000,000
4.875% Due 2012	<u>400,000,000</u>

Total securities authorized and outstanding at September 30, 2003	<u>1,142,795,234</u>
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\$ 865,373,368

Historical 30-Year Treasury Yields

MONTHLY DATA: OCTOBER 1998 THROUGH SEPTEMBER 2003



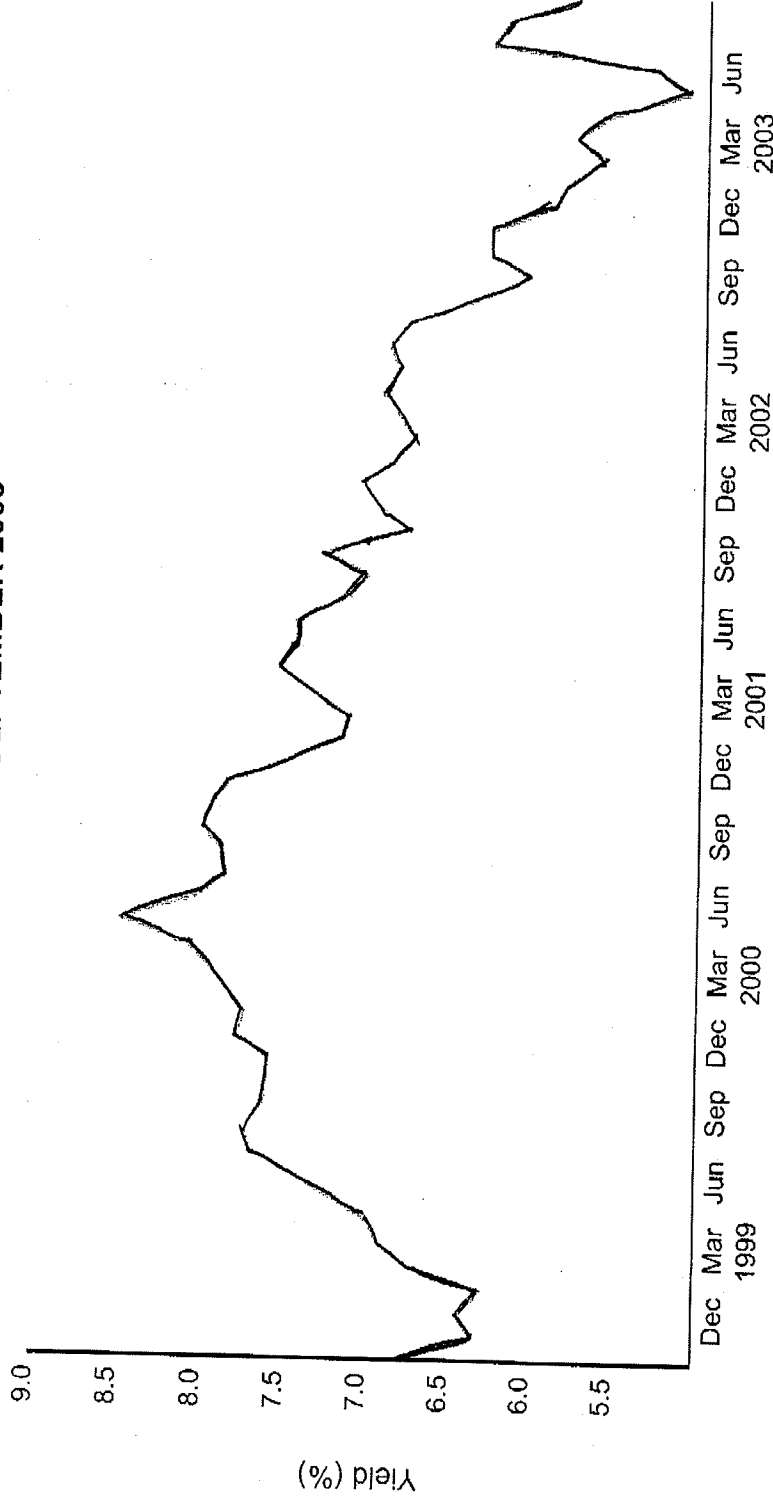
Summary Statistics:

High	Low	Average	Latest
6.49%	4.36%	5.47%	4.89%

U.S. Government 30-Year Maturities

Yield History of A-Rated 30-Year Utility Debt

MONTHLY DATA: OCTOBER 1998 THROUGH SEPTEMBER 2003



Summary Statistics:

High	8.51%	Low	5.11%	Average	6.99%	Latest	5.78%
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Certified Votes of Directors

VOTED: That the Chairman, President and Chief Executive Officer, Senior Vice President, Treasurer and Chief Financial Officer, the Senior Vice President/Strategy, Law & Policy, Clerk and General Counsel or the Assistant Treasurer of the Company is hereby authorized, in the name and on behalf of the Company, to file with the Massachusetts Department of Telecommunications and Energy an application relating to the issue and sale of up to \$500,000,000 aggregate principal amount of debt securities to be issued from time to time on or prior to December 31, 2005; and to take such further action in connection with such application as the officer or officers so acting may deem necessary, desirable or appropriate.

VOTED: That the Authorized Officers of the Company are, and each acting singly is, hereby authorized to execute and deliver such other documents and take such further actions in the name of the Company as the officer so acting shall deem advisable to implement the foregoing votes, such execution and delivery the taking of any such action to be conclusive evidence of its authorization by the Company.

THIS IS TO CERTIFY that the undersigned is Assistant Clerk of BOSTON EDISON COMPANY, a corporation of the Commonwealth of Massachusetts; that the above and foregoing is a true and correct copy of votes adopted by the Board of Directors of said Corporation at a special meeting thereof duly convened and held on the 11th day of December, 2003, at which meeting the entire Board was present and voting; and that said votes have not been annulled, revoked or amended in any way whatsoever, but are in full force and effect.

WITNESS the execution hereof as a sealed instrument this 14th day of December, 2003.

Richard J. Morsai

Assistant Clerk